

Draft Summary Report of the Joint Assessment Mission to East Timor

Introduction and purpose

1. East Timor is likely to be the first new state of the 21st century. On August 30th 1999, with a turnout of 98%, 78.5% of the registered electorate voted for a transition to independence. Implementation of the results of the ballot should have been an occasion for celebration. Instead, the people of East Timor were forced to watch the birth of their new country through a haze of smoke and tears, as orchestrated violence after announcement of the ballot results wreaked physical destruction and human terror from Tutuala to Oecussi. It is estimated that over 75% of the population was displaced in the weeks following the ballot results, and almost 70% of physical infrastructure destroyed or rendered inoperable.
2. The response of the international community has been swift and comprehensive. On September 15th, the Security Council authorised deployment of a multinational force (MNF), which entered East Timor on September 20th. A humanitarian operation, which was mobilised exceptionally quickly, accompanied the deployment of the MNF. On October 25th, the Security Council authorised the formation of the United Nations Transitional Administration in East Timor (UNTAET).
3. East Timorese organisations and communities have also mobilised quickly to reconstruct their territory. The Conselho Nacional da Resistencia Timorese (CNRT), the Catholic Church and local NGOs have been active in the distribution of humanitarian aid, and have organised or supported local reconstruction committees to clean up public buildings and residential neighbourhoods.
4. As the emphasis moves over the coming months from relief to reconstruction and development, it will be critical to build on domestic and international enthusiasm to contribute to reconstruction in a coordinated manner. The challenge is to ensure that the financial and human resources available for reconstruction are used efficiently, and that short-term initiatives are compatible with sustainable development in the longer term. Security is a critical pre-requisite for reconstruction. However, East Timor is fortunate in having avoided a situation of full-blown internal conflict, and security operations should be kept to a level appropriate to maintaining law and order, whilst minimising the economic and social distortions consequent on a large scale military presence.
5. The Joint Assessment Mission to East Timor, coordinated by the World Bank, was endorsed at a meeting of donors, UN agencies and East Timorese representatives on September 29th. Early deployment of the mission was driven by lessons of other post-conflict countries, where lack of coordination between relief and development planning has delayed the transition from emergency relief to more sustainable development support, and has caused inefficiencies and duplication in the use of external resources. Good communication between DPKO, UNTAET, the financial and development institutions, the humanitarian agencies and East Timorese leadership will offer an opportunity to get it right for the people of East Timor.

6. The Mission aimed to identify priority short-term reconstruction initiatives and provide estimates of external financing needs. To foster compatibility with longer term development objectives, the Mission used a comprehensive development framework approach, covering eight sectors and incorporating international technical expertise from five donor countries, four UN agencies, the European Commission, the Asian Development Bank and the World Bank. A concurrent mission of the IMF accompanied the Joint Assessment Mission, and a representative of UNHCR joined the mission to facilitate linkage between relief and reconstruction planning. Timorese technical specialists were paired with international experts in each sector, to ensure input of local knowledge and capacity-building for local professionals.

7. This report outlines the principal findings and recommendations of the mission. It is organised by sector, and annexes a preliminary listing of programs, with partial costings. A full consolidated budget – for both recurrent and development expenditures – for year one of the transitional administration in East Timor, together with an indicative budget for the first three years, will be included in the final report.

Economic Management

8. Prior to the conflict, East Timor was primarily an agricultural economy, with a single significant export (coffee) and approximately 90% of the population living in rural areas. The territory was one of the poorest areas in South-East Asia, with an estimated GDP per capita of \$431 in 1996, and 30% of households – or double the average for Indonesia – living below the poverty line. Although official recorded investment per capita ran at approximately double the Indonesian average, access to economic infrastructure and basic social services was lower than any Indonesian province. East Timor was heavily dependent on external transfers, with approximately 85% of recurrent and capital expenditure coming from Indonesia.¹

9. **Assessment of the current situation.** Both the public and private sectors have suffered almost total collapse in the aftermath of the violence in East Timor. The economy has been hit by a dramatic supply shock, due to the destruction of crops in the field and local inventories of basic manufactured goods, the closure of the border with West Timor, and lack of civilian access to port facilities to permit commercial imports from abroad. As the December planting season approaches in agriculture, many regions are experiencing labour shortages due to population displacement, together with lack of access to seeds and tools. Acute shortages are leading to spiralling prices, with an ad-hoc price survey in Dili market indicating a rise in the consumer price index for poor households in Dili rising by some 200% between August and October.² Lack of transportation services and fuel have led to rising price differentials between Dili and the rural hinterland.

10. Buildings and equipment in the small modern sector have been decimated. The physical infrastructure and equipment in every bank has been destroyed or looted, and

¹ Due to leakage from the government budget, the percentage of realised expenditure covered by transfers is probably substantially lower.

² This has, however, been cushioned to some extent by distribution of food aid, which has resulted in a drop in the price of rice from a peak in September.

there is currently no payments system in operation enabling public or private entities to pay salaries or goods and services. Depositors have lost access to savings held in the Indonesian banking system.³ Even more importantly, there is a drastic shortage of skilled personnel for the secondary and tertiary sectors: most technical positions were occupied by Indonesians who have left the country.

11. It is estimated that this destruction will result in a drop of GDP for the year 1999 in the range of 40-45%. However, there are reasons to limit the overall pessimism. Agriculture, which constitutes the base of the Timorese economy, will revive substantially over the coming year. The coffee crop, a critical export earner, is estimated to come in during 2000 at levels consistent with the East Timor average. The presence of United Nations and other international agencies will produce a massive positive demand shock in urban services and real estate: care will need to be taken to manage subsequent distortions in the allocation of capital and labour, and adverse social impacts.

12. **Urgent priorities to kickstart the economy.** Over the next quarter, the following initiatives are essential: (i) *restarting the flow of goods and services*, including an agreement on border trade with West Timor, freeing up port facilities in Dili for commercial imports, re-instituting commercial air links and relieving military barriers to internal population mobility; (ii) *establishing a payments system*. Initially this may be done through extension of UNTAET's current banking services to private transactions: it is essential, however, that conditions be established to permit the rapid entry of reputable foreign banks to provide banking services, including commercial lending. This would include the provision of banking services in rural areas, possibly through the use of mobile payments units; (iii) *currency arrangements and exchange houses*. The flow of several different convertible currencies into East Timor via personnel of the international agencies requires easy access to currency conversion facilities, through the licensing of exchange houses, and a public information service on exchange rates; (iv) *assets and liabilities*. It is essential that negotiations be started with Indonesia as soon as possible on the re-establishment of branch units of Indonesian banks in East Timor, in order to permit the settlement of credits and depositor claims, and the settlement of civil servant pension and social security claims; (v) *sustainable government finances*. Although East Timor is likely to have a primary budget gap for some time to come, it will be important to reach agreement on a recurrent budget for the year 2000 which minimises dependence on external financing in order to lay the basis for sustainable public expenditure in the years following the transition to independence.

13. **Short-term priorities for economic recovery.** Over the transitional period, it is critical that initiatives be taken to lay the basis for sustainable economic recovery and sound economic management. Needs include: (i) *establishing and reinforcing key economic institutions*. Constitutive decrees and training/capacity-building programs will be necessary to establish the functions of the department of finance and planning, procurement and audit agencies, revenue agency, statistical agency and customs offices; (ii) *economic policy-making*. Technical assistance will be required to develop currency and exchange regimes, financial supervisory services, tax policy and collection systems, budgeting, procurement and accounting systems and techniques; (iii) *negotiation of*

³ Unless they are able to travel to Indonesia to withdraw funds, an option which is not open to most families.

international agreements on the exploitation of oil, gas, fisheries and other natural resources. Technical assistance will be required to ensure agreements maximise the benefits accruing to the population at large, and to protect the environment; (iv) *legal and regulatory framework*. Technical assistance will be required to develop transparent ground rules for the functioning of the private sector in East Timor, including an investment code, property⁴ and commercial law, and procedures for the leasing of vacant state land and facilities; (v) *gathering baseline economic and social data*. To support effective policy-making, accurate data is essential. Initiatives here should include conduct of a population census, price surveys and a household income and expenditure survey; (vi) *credit for small and medium enterprises*. Lines of credit for small enterprises should be made available to facilitate the resumption of productive and trading enterprises, together with passenger and commercial transport and distribution services.

Civil service

14. **Assessment of the current situation.** The civil service is not currently functioning at any level in East Timor. Over 70% of administrative buildings have been partially or completely destroyed, and almost all office equipment and consumable materials have been destroyed. Government archives have been destroyed or removed. Accurate figures are not available on the number of civil servants remaining in the territory, but at least 20-25% - those estimated to be of Indonesian origin - are likely to have left. Indonesian civil servants were concentrated in the higher grades and skilled technical positions, so this creates a serious skill deficit for the civil service.

15. However, the decimation of the civil service also presents an opportunity for reform. Under Indonesian occupation, the civil service was characterised by: (i) overstaffing, with over 28,000 civil servants: 3.4% of the population compared to an Asian average of 2.6%; (ii) too many layers of bureaucracy for a small country, fostering inefficient decision making and opportunities for graft; (iii) duplication of functions between line ministries and decentralised departments; (iv) a top-down organisational culture, with little community participation and marginalisation of traditional local decision-making structures; (v) exceptionally low pay levels, encouraging the establishment of legal and illegal fringe benefits. The window of opportunity for reform must be balanced against the need for speedy action to restore services, which does not allow for a lengthy analysis, consultation and planning exercise.

16. **Transitional governance and policy recommendations.** It is recommended that reforms during the transitional period focus on civil service numbers and pay rather than on structures, roles and functions of the state, since the latter demands a lengthier societal debate. The Mission recommends that aggregate numbers in the civil service not exceed 12,200 in the first three years, with just under 90% of these constituting teachers and health workers. This number pre-supposes no rehiring of paid civil servants at the village level, and substantial cuts in management and administrative staff. Recruitment would be paced, reaching approximately 60-65% of complement in the first year, 80-85% in the second and 100% in the third. Within the aggregate cap, options for limited structural reform exist: (i) replacing full-time paid civil servants at the sub-district level with a

⁴ It is essential that reform of the laws on property, in particular, is developed through a consultative process with local stakeholders.

community-elected sub-district council, served by part-time secretariat, accounting and cashier functions; (ii) concentrating sectoral technical staff in a smaller number of locations for cost-efficiencies; (iii) due to paced recruitment, flexibility to reallocate funded positions between sectors in response to evolving needs. The assessment mission has considered the need for special financial support for ex-civil servants who are not hired into the new administration, but recommends that this support be provided through the community empowerment program, and regular initiatives for vocational training and credit to small and medium enterprises, rather than a special initiative.

17. It is recommended that pay, recruitment and personnel policy, and oversight of the recruitment process, be managed by a Independent Civil Service Commission, composed of Timorese representatives and international experts. This commission would be responsible for developing personnel policies, setting recruitment criteria and approving recruitment of staff.⁵ Specialised commissions would be established for the recruitment of teachers and health workers. Regarding pay policy, and based on the freeing up of financial resources caused by the cut to aggregate numbers, it is recommended that: (i) a blanket increase be given to all civil servants; (ii) wage differentials be increased, with senior civil servants receiving a higher increase.

18. **Short-term reconstruction priorities.** In order to implement this strategy, the following programs of support would be required: (i) *rehabilitation and re-equipment of public buildings* (ii) *technical assistance for the development of personnel policies* and interim functions and job descriptions, including the sub-contracting of the recruitment processing to a partner institution; (iii) *technical assistance for the development of administrative legislation and regulations*, including controls on corruption; (iv) *inventory of East Timorese human resources* inside the territory and in the diaspora; (v) *design and delivery of management and financial training*; (vi) *design and development of a simple automated administrative records system*.

19. **Medium-term options.** In the build up to the handover to independence, and dependent on the wishes of East Timorese representatives, options to increase the effectiveness of the civil service include: (i) analysis and public debate on *the role and functions of the state*, including public-private partnerships and mechanisms to further enhance participation and accountability; (ii) analysis and public debate on the *geographical and hierarchical divisions of the public service*, with a view to increasing public accessibility and achieving further cost efficiencies.

Community empowerment

20. **Assessment of the current situation.** Civil society under Indonesian rule was severely constrained, and the small number of NGOs that emerged over the last two years have yet to expand their capacity. Besides the recent catastrophic human and physical damage, the longer term struggle has left many serious social legacies, including a large number of widows and problems of post-violence trauma. Female headed households are estimated at around 9% and many women suffered rape and other sexual abuse.

⁵ Discussions between UNTAET and East Timorese representatives would be necessary on the categories of staff to which this would apply.

Reconciliation between pro- and anti-independence forces will be a long-term social issue, particularly in the Western border region where pro-autonomy support was stronger. Supported by the conciliatory approach adopted by both the Church and CNRT, however, there appears to be a general consensus that only those most actively associated with militia crimes need fear punishment. The greatest contribution to reconciliation is likely to be the rapid involvement of the population in positive activities to reconstruct their communities.

21. **Short-term reconstruction priorities.** The immediate priority for community welfare is the meeting of basic needs. Emergency needs are now largely being met by UN agencies and NGOs, and it is assumed that this support will continue until all families are resettled and food and shelter needs secured. Because of the current administrative vacuum at and below district level, it is desirable that steps be taken as soon as possible to establish representative, community based institutions, in order that the emergency phase may proceed with greater efficiency and community participation. Immediately beyond the emergency phase, it will be essential to consolidate these institutions into a system of local governance which can both represent community priorities, resolve local conflicts and deliver small community development programs.

22. Through the transitional period, a *Community Empowerment and Governance Program* is proposed, with three main components: (i) establishing and building capacity in interim village, sub-district and district councils, including physical resources, training and facilitation for formation and planning; (ii) provision of grants and micro-credits for the rehabilitation of infrastructure and recovery of economic activities, through the councils; (iii) support to vulnerable groups, including victims of violence, poor female-headed households, and ex-combatants seeking voluntary demobilisation. As the end of the transition approaches, further participatory analysis could be conducted on the continued functioning of the councils, their composition and role. This should include consideration of the financing of local government.

Justice system

23. **Assessment of the current situation.** Social harmony and sustainable economic development in East Timor depend on the establishment of accessible, fair and effective judicial institutions and processes for the resolution of disputes. Security Council resolution 1272 to establish UNTAET provides for the continuation of existing law that is not in violation of internationally accepted standards, in particular human rights standards. A functioning judicial system does not currently exist. Steps to establish the rule of law must address the following specific challenges: (i) an extremely limited number of legally trained persons able to carry out functions within the judicial system; (ii) destruction of court documentation, with the exception of records on civil status kept by the church; (iii) extensive damage to infrastructure related to the justice system, including courthouses, police stations, prosecutors' offices, and detention facilities; (iv) lack of capacity to develop new legislation.

24. **Short term reconstruction priorities.** The approach recommended for the establishment of judicial institutions is to create a justice system, at first with fewer than 170 personnel, which can be gradually expanded according the demonstrated demand for

justice services. Urgent interventions in order to re-establish a functioning judicial system include: (i) *rehabilitation and re-equipping of judicial infrastructure*; (ii) *rehabilitation and re-equipping of penitentiary and police facilities*; (iii) selection and appointment of magistrates and judicial agents, through a *judicial service commission* of East Timorese and foreign experts; (iv) establishment of a *legal training centre*; (v) establishment of a *law commission* to identify legislation which needs to be amended and propose new laws; (vi) establishment of a *land and property commission*, for provisional arbitration of property disputes and interim property registration services; (vii) support to *local community conflict resolution mechanisms*; (viii) *training* for the police force; (ix) *strengthening NGOs* providing human rights education and legal advice.

25. **Medium term strategic options.** Legal development in the medium term should foster a new understanding of the relationship between individuals and the state, based on the recognition of rights and accountabilities. Recognition of human rights should be the cornerstone for legal reforms. In the longer term, options to be considered to strengthen the judicial system include: (i) establishment of a *Bar Association*; (ii) implementing a consistent system of *land registration*; (iii) strengthening the independence of the judiciary through the establishment of a *judicial council* to address complaints on the professional conduct of judges; (iv) establishing a sustainable *legal aid system*.

Agriculture

26. **Assessment of the current situation.** Timor's erosion-prone terrain, poor soils and unpredictable rainfall have always presented a challenge to the agriculture sector. The distinct traditions of East Timorese agriculture, adapted to local conditions, have invariably aimed at minimising risk rather than maximising production. An abiding resilience in the face of repeated hardships has helped the present generation of Timorese farmers to survive the difficulties of the past several months.

27. Disruption to agricultural capacities caused by the violence after the ballot has varied from district to district. Displacement has severely depleted the population in some areas (Oecussi, Kovalima, Bobonaro, Los Palos), and will constrict labour supply in the upcoming planting season. These areas have also suffered destruction of agricultural implements and equipment. The least disrupted areas are Baucau and Viqueque, and other higher altitudes where some corn and vegetable planting has occurred. The major impediment to rice cultivation is the lack of traction, due to the killing of cattle and water buffalo and destruction of tractors. It is estimated that production of rice will reach 58-70% of 1999 levels in the year 2000, with other staple food crops ranging from 60-75% of 1999 levels. This all-important revival of the agricultural sector could, however, be undermined by indiscriminate provision of food assistance. As planned by WFP, it is critical that surveys be conducted to monitor planted area and revise estimates of food import needs. It is recommended that these be done at two-monthly intervals in the first two quarters of 2000.

28. From the smallholder producer sector through the intermediary and final crop processing and storage levels, the coffee sector has survived nearly intact. Due to the timing of the violence – immediately after harvest – population displacement has had little impact upon next season's yields or crop-related farmers' incomes. It is estimated

that the coffee crop will come in at above average levels in nearly all coffee-producing districts, although at slightly lower levels than the 1999 bumper harvest. It is estimated that up to 30-40% of the 1999 coffee crop was not able to be exported, but remains secured by farmers. Constraints to the procurement of the 1999 crop and the 2000 harvest include: (i) the lack of financial institutions to make payments to farmers; (ii) lack of trucking capacity; (iii) the occupation of all Dili-based dry processing facilities by either international armed forces or relief agencies.

29. Spot surveys in rural areas indicate that large livestock have been more seriously affected than smallstock, although the population of free-range chickens has been severely reduced and commercial chicken farming stock completely destroyed. No irrigation systems appear to have been damaged as a result of the recent violence. However, repairs to irrigation channels have not been carried out this year, and 13 out of 39 existing irrigation systems require considerable rehabilitation. Limited activity has restarted in fisheries, although part of the fishing fleet was damaged during the violence. Most of the 72 farmer cooperatives have experienced destruction of physical facilities, administrative records and working capital.

30. **Short-term reconstruction priorities.** Identified reconstruction priorities assume the successful provision of adequate seeds and tools under the consolidated humanitarian appeal. Following the emergency phase, reconstruction interventions include: (i) restoration of local seed and development of seed stations; (ii) livestock restoration program, including weed eradication and pasture improvement, poultry restoration and smallholder cattle credit scheme; (iii) smallholder coffee development initiative, including revolving lease capital for trucks, coffee farmer extension service, equipment and shade tree nursery; (iv) rehabilitation of targeted irrigation systems; (v) small scale fisheries development; (vi) agro-forestry and tree crops initiative; (vii) land capacity and agricultural systems mapping; (viii) restoration of meteorological stations; (ix) agricultural survey and database development; (x) small-holder mechanisation program.

Infrastructure

31. **Assessment of the current situation.** In the infrastructure sector, public buildings and residential housing have borne the brunt of the violence. The majority of damage to public buildings has been to roofs, walls being largely intact (buildings in this condition represent 75% of total reconstruction costs, excluding equipment). The only exception to the general destruction has been church buildings. There has been somewhat less destruction in the east than the west, but buildings in the east have received lower levels of maintenance, and therefore require substantial rehabilitation. The construction industry has been decimated. 94% of contractors operating in East Timor before the ballot were class C1 and C2 (qualified only to perform small community works), and none of the 36 larger contractors were owned by Timorese. None of the smaller Timorese contractors have yet restarted operations.

32. Road conditions in East Timor are affected by long-term neglect of maintenance and lack of compliance with design standards. Roads have narrow carriage ways of approximately 3 metres, steep banks with poor stability, and deteriorated pavement surfaces and drainage. 57% of the 1,414 km of paved roads surveyed are in poor or

damaged condition. Only 47%⁶ of villages had access by paved road, even before the crisis. Gravel roads are rough and potholed, and most can only be accessed by four wheel vehicles. Road conditions are expected to substantially deteriorate over the next six months due to the rainy season and the heavy loads imposed on the road system by the military and food aid operations. There are no signs of specific damage to bridge structures caused by the post-ballot violence, although causeways are frequently non-existent or damaged. Fuel supply, previously provided at highly subsidised rates through the state-owned fuel company (Pertamina) has become highly unstable.

33. East Timor has two international airports and eight grass runways. Although the civil infrastructure and buildings are in good condition, the post-ballot destruction resulted in removal of all navigation equipment and communications. Maritime infrastructure includes three ports (Dili, Carabela and Com), smaller wharves in Oecussi and Liquica, and slip landing structures in Oekussi, Batugade and Suai. The port facilities have not incurred structural damage, but all equipment has been destroyed or is inoperable. Dili port is currently severely congested, with military and aid cargo crowding out commercial operations.

34. Telecommunications services covered only 12,000 lines before the ballot, and have been severely disrupted by the ensuing violence. Most of the transmission towers have suffered significant damage, as have many switchboards and cables. 4,000 lines have been restored in Dili, with intermittent service. In the power sector, the total generating capacity of the country was around 40 megawatts before the crisis, with approximately 20 megawatts centred in the two Dili power stations. Low voltage systems suffered particularly extensive damage during the post-ballot violence, largely due to the burning of buildings. There has been a significant loss of skills in the electricity sector: of 240 staff prior to the ballot, none of the core technical staff were Timorese, although there was some Timorese representation in middle management.

35. The public water network has escaped serious damage, although destruction of buildings has resulted in extensive damage to service connections. However, coverage levels were extremely low before the crisis – 24% of households had piped or pumped water⁷ – and lack of maintenance has caused extensive deterioration. Almost all office records, plans, reports, vehicles and tools belonging to the water utility have been destroyed or are missing. No towns in Dili are sewered: liquid wastes are disposed of via septic tanks or direct to the drainage system. Lack of maintenance of drainage systems has caused serious problems of flooding, particularly in Dili. A solid waste collection system was previously in operation in most town, but has completely broken down due to the removal of waste collection trucks.

⁶ PODES 1996

⁷ SUSENAS 1996

36. **Urgent initiatives.** Initiatives which require urgent attention in the next 1-6 months include:⁸ (i) *emergency road maintenance and rehabilitation*, in particular to keep key arteries open during the rainy season;⁹ (ii) *emergency rehabilitation of urban water systems*;¹⁰ (iii) implementation of a *solid waste disposal system* in major urban centres; (iv) *rehabilitation of electricity distribution systems*, together with provision of interim managerial and technical staffing in the electricity utility;¹¹ (v) immediate maintenance for the *Dili drainage system*; (vi) *design of a program of support to private housing rehabilitation*. This must link closely to the UNHCR emergency shelter program, through supporting families in the rehabilitation of permanent dwellings; (vii) *technical assistance to develop an interim urban and rural planning framework*, to take advantage of the opportunity provided by massive rehabilitation activity, and to accommodate projections on internal population migration;

37. **Regulatory framework.** To ensure effective services and cost-savings, the program of reconstruction in the infrastructure sector will have to consider the outsourcing of management of certain key facilities, even during the transitional period. The mission recommends that an early policy decision be taken on this, in close consultation with the East Timorese Transitional Council, and with immediate attention to civilian management of port and aviation facilities. A quick decision is also required on the contracting of telecommunications services and restoration of the telecommunications system. In the short-term, the management of other infrastructure is likely to remain in public hands: appropriate conditions for privatisation do not currently exist, and the sale of state assets would presumably require the explicit endorsement of an East Timorese legislative body. During the transitional period, technical assistance will be required to review and revise road, transport and maritime acts and regulations, promulgate new constitutive decrees and regulatory frameworks for public utilities, and to develop construction, safety and quality standards. The development of new legislation on public procurement to replace the Indonesian Kepres 16 is a priority.

38. **Priority reconstruction interventions within this framework during the transitional period would include:** (i) *conduct of an international competitive tender for facilities and services on which outsourcing has been agreed*; (ii) *rehabilitation and provision of equipment for public buildings* in order to permit the re-establishment of an East Timorese administration;¹² (iii) *establishing and building capacity in the central department of transport and works and five regional depots*. This would cover technical assistance for procedures for international competitive bidding,¹³ training and capacity-building to the public works department for tendering and contract management, transport management (including technical assistance to review and revise road, transport and maritime acts and regulations and to develop cost recovery strategies), establishment

⁸ It is likely that the majority of these, aside from technical assistance for program design and urban/rural planning, will be funded through the humanitarian program.

⁹ Currently being coordinated by UNDP. In addition, The MNF and the PKO both have engineering capacity for road rehabilitation. Over the longer term, care will need to be taken to seek the most cost-effective solution for civil works and maintenance, and to build capacity in the East Timorese administration.

¹⁰ Currently being undertaken by Oxfam, in conjunction with UNDP.

¹¹ This is currently being undertaken by DFID, in conjunction with UNDP.

¹² This is a priority across sectors, but will have to be phased to match limited absorptive capacity. Costs for public administrative buildings have been kept down due to the sharp recommended drop in the number of public administrative staff, which will require considerably less office space than the Indonesian administration;

¹³ Including provisions for training of local staff to promote the development of a local contracting industry.

of maintenance services, and building inspection; (iv) *establishing and building capacity in the public water utility*, including building rehabilitation, equipment, training and technical assistance on cost-recovery; (v) *establishing and building capacity in the power utility*, including building rehabilitation, equipment, training and technical assistance on tariff-setting; (vi) rehabilitation and upgrading of *rural and urban water supply programs*; (vii) *revising the Dili master drainage plan and contracting the removal of liquid (septic tank) wastes*.

Health

39. **Assessment of the current situation.** Prior to the post-ballot violence, the health situation in East Timor was already precarious, with key health indicators lagging substantially behind the Indonesian average. Infant mortality was at a high 124/1000, with life expectancy at only 55 years. This precarious health situation has been further threatened by population displacement, psycho-social stress, food insecurity, breakdown of water and sanitation and the collapse of almost all health services. The health system has lost all fixed equipment and consumables, and 130 out of 160 physicians. Most of the remaining 3540 health staff employed before the crisis are expected to remain in East Timor. Humanitarian assistance for health is currently being provided by ICRC and various international NGOs (MSF, MDM and AMI), supported by UNICEF, WHO and UNFPA.

40. **Short-term reconstruction priorities.** Priority interventions in the health sector to restore basic services include: (i) *restoration of primary health care services at sub-district levels*, including physical rehabilitation, restocking of drugs, equipment, furniture and non-medical material, and provision of transport for outreach, referral and mobile medical services; (ii) *re-establishment of in-patient care*, including the rehabilitation of 8 district hospitals and the Dili hospital, provision for referral abroad and referral options for Oecussi; (iii) *re-establishment of public health management capacity*, including technical assistance for drug policy and ensuing legislation, systems of procurement and storage, referral laboratory, communicable disease program, central equipment maintenance service, and social services for the physically and mentally handicapped; (iv) *establishment of a central supply system for essential drugs*; (v) *laying the basis for the development of a new health system*, including a health facility survey and staff database, conduct of a health system review focusing on financing options, conduct of a consultative health policy formulation process and a health manpower development plan; (vi) *training and capacity-building program for health workers*, including upgrading of existing staff and bursaries to study abroad for higher cadres.

41. **Policy recommendations.** Due to the post-conflict situation, which both exacerbates health problems and decreases the ability of households to privately finance healthcare, it is recommended that all public healthcare be free and publicly-financed during the transitional period. Options for sustainable financing of health services should be analysed during the transition. Managerial and technical capacity will have to be provided from external sources during much of this period. Where international NGOs provide this capacity, their work should take place within a national, coordinated framework.

Education

42. **Assessment of the current situation.** Both education infrastructure and personnel have been hard hit by the post-ballot violence. It is estimated that 75-80% of primary and secondary schools have been partially or completely destroyed: buildings of the University of East Timor and Dili Polytechnic have been 60% and 80% destroyed respectively. Reliable figures on educational staff who remain in the country are not available. However, a survey performed by the Government of Indonesia in April 1999 indicates that between 73 and 86% of secondary school teachers and administrative staff at that time stated they wished to be redeployed to Indonesia, whilst only 25% of the primary school teachers requested redeployment. This gels with information on the origin of teachers – one source has estimated that 22.5% of primary and 90% of secondary and vocational teachers were non-Timorese.¹⁴ All textbooks and school materials have been destroyed.

43. The destruction experienced in the education sector will exacerbate low educational outcomes existing before the ballot. Literacy rates had reached only 41% by 1998, with lower rates for women than for men. Net primary school enrolment was 70%, with net secondary school enrolment 38.7%.¹⁵ The Catholic Church was the main non-government supplier, with 185 schools and 1,100 teachers and will continue to provide educational services.

44. **Short-term reconstruction priorities.** Priorities include: (i) rehabilitation of primary schools and the supply of basic teaching and learning resources; (ii) accelerated teacher training; (iii) rehabilitation and re-equipment of secondary schools; (iv) design and delivery of a scholarship system for poor families to cover school-related expenses; (v) training for educational administrators and managers; (vi) conduct of a school mapping exercise to ensure that geographical location of schools responds to user needs and maximises cost-efficiency; (vii) vocational training for unemployed youth in urban areas.

Conclusion

45. East Timor faces a very serious challenge. At issue is not only the massive physical destruction and social trauma wreaked after the ballot. Even without the violence, years of non-participatory governance and under-investment in human capital would have argued for urgent attention to poverty reduction and social development initiatives. Further, the fact that East Timor has been treated as a provincial outpost for most of its history, and therefore lacks the institutional capital necessary for a nation state, creates a need for a major investment and reform program. This has been exacerbated by the total collapse of the state in the post-ballot period.

46. There is a trade-off between the speed of externally financed reconstruction initiatives and the need for participation and local capacity-building. The emergency assistance program has by its nature stressed the first objective, due to the pressing

¹⁴ Pedersen, Arneberg et al, Social and Economic Conditions in East Timor

¹⁵ All statistics SUSFNAS 1998. There was little difference by the late 90s between girls' and boys' primary or secondary enrolment.

necessity to respond to population displacements and lack of access to basic human needs. With early planning, the reconstruction program can attempt to entrench the objectives of participation and national capacity-building right from the beginning, as we move from the relief to the recovery phase. In order to achieve this, there are two basic pre-requisites for the success of the program outlined in this document: (i) early implementation of the provisions in the Security Council resolution of October 25th, representing the continued commitment of the UN on this issue, to establish mechanisms for East Timorese participation in planning and policy-making. This will help to structure consultation on reconstruction priorities and policies; (ii) rapid progress in constituting the East Timorese side of public administration, to concentrate the management of reconstruction activities within the permanent public service, and to build capacity in East Timorese counterparts for the longer term. Despite the challenges, the goodwill and energy of both the East Timorese population and the international community will then drive the reconstruction partnership forward.

EAST TIMOR

BUDGET FOR RECONSTRUCTION AND RECOVERY

2000 -2002

(Preliminary estimates - In thousands of US Dollars)

SECTOR	No.	PROJECT	2000	2001	2002	TOTAL 2000-2002
COMMUNITY EMPOWERMENT						
	1	Grant for community recovery	5,450	4,520	3,520	13,490
	2	Community capacity development	4,030	3,120	3,770	10,920
	3	Micro-enterprise credit startup funds	--	500	500	1,000
	4	Community centers for subdistricts and villages	1,500	500	500	2,500
	5	Local government capacity development	250	150	150	550
EDUCATION						
	1	Early childhood, primary and secondary education	284	1,816	1,023	3,123
	2	Teacher training	704	364	356	1,424
	3	Youth and adult education	xxx	xxx	xxx	xxx
	4	Distance learning for tertiary and technical education	xxx	xxx	xxx	xxx
HEALTH						
	1	Training of physicians and health personnel abroad	2,250	2,750	2,000	7,000
	2	Reestablishment of public health management capacity	xxx	xxx	xxx	xxx
	3	Health system review	xxx	xxx	xxx	xxx
AGRICULTURE						
	1	Land capacity and agricultural systems mapping	75	152	78	305
	2	Reestablishment of a rural livelihood data base	--	72	62	134
	3	Restoration of Meteorological stations network	---	38	259	297
	4	Local seed resources and production stations	228	299	164	691
	5	Small-holder farm mechanization program	xxx	xxx	xxx	xxx
	6	Pasture improvement and weed eradication program	80	80	92	252
	7	Poultry restoration program	415	--	---	415
	8	Small holder cattle and buffalo restoration program	2,600	2,600	---	5,200

- 9 *Small-holder coffee development initiatives*
- 10 *Agro-forestry and land management development*
- 11 *Agricultural innovation schemes*
- 12 *Rehabilitation of irrigation systems*

INFRASTRUCTURE

- 1 *Road network repair*
- 2 *Port and maritime recovery*
- 3 *Airport and air traffic recovery*
- 4 *Recovery of basic housing*
- 5 *Recovery of hospitals and health infrastructure*
- 6 *Recovery of schools and education infrastructure*
- 7 *Recovery of public administration buildings except courts*
- 8 *Recovery of courts and judiciary buildings*
- 9 *Recovery of water systems and utilities*
- 10 *Recovery of power systems and utilities*
- 11 *Recovery of the drainage and sanitation system*

ECONOMIC MANAGEMENT

- 1 *Setting up key economic institutions*
- 2 *Development of economic policy making capacity*
- 3 *Negotiation of international agreements*
- 4 *Setting up of the economic framework for investors*
- 5 *Revolving credit for small and medium enterprises*
- 6 *Statistical office - Census and surveys*

CIVIL SERVICE

- 1 *Capacity building and training of the civil service*

LAW ENFORCEMENT

- 1 *Police training*
- 2 *Equipment*

2000	2001	2002	TOTAL 2000-2002
xxx	xxx	xxx	xxx
150	390	260	800
xxx	xxx	xxx	xxx
784	xxx	xxx	xxx
xxx	xxx	xxx	xxx
500	1,000	---	1,500
3,510	3,900	500	7,910
xxx	xxx	xxx	xxx
12,861	13,183	6,109	32,154
12,949	18,992	11,223	43,164
4,398	9,092	4,021	17,511
830	1,509	176	2,515
7,510	5,180	5,180	17,870
4,421	1,787	1,073	7,281
1,248	1,600	1,500	4,348
460	460	---	920
440	440	---	880
xxx	xxx	xxx	xxx
200	200	---	400
3,000	5,000	---	8,000
1,200	xxx	xxx	xxx
1,826	1,579	1,437	4,842
xxx	xxx	xxx	xxx
xxx	xxx	xxx	xxx

Economy: Basic Price Index

Basic Indices for August – October, 1999		
	Price-based Index	Quantity-based Index
All goods	162%	-9.4%
All excluding rice	202%	-9.4%
Manufactures	552%	-23.9%

Economy: General Conditions in the Modern Sector

Retail/Commercial space (Dili)	95% stripped and burned, 5% stripped and damaged.
Financial Institutions	8/8 commercial banks 100% destroyed: 5/8 commercial banks stripped and burned, 3/8 commercial banks stripped and severely damaged, all vaults and safes destroyed, records reportedly removed to Indonesia. Credit cooperative records in Jakarta. Central bank building stripped and severely damaged, vault destroyed.
Wholesale Distributors	Buildings, stocks, vehicles 100% destroyed.
Warehousing (Dili)	20% of Dili warehouse capacity completely destroyed, remainder in good condition.
Textile factory	Building standing, contents removed.
Water bottling factory	Building standing contents uncertain.
Coffee processing	Modest damage to facilities outside Dili; moderate damage/removal equipment in Dili.
Telecommunications	12000 lines, most damaged during crisis, Most transmission towers suffered significant damage, Switchboards & telephone cables, significant damage, 4000 lines in Dili restored by Interfet, 5000 still disconnected, All 3000 lines outside Dili disconnected.
Power	Generators operating in Dili and intermittently in Baucau, All other generators suffered moderate to severe damage.
Roads & Bridges	Key roads will be maintained by Interfet/PKO. Bridges not affected by crisis, but many are missing or have no causeways. Of the 1414 km of total sealed, gravel and dirt roadways, 448 km (32%) are in good condition (travel speed 60 km/hr), 585 km (41%) are poor (travel speed 30 km/hr), and 232 km (18%) are damaged (<15 km/hr).
Ports	Port facilities suffered no structural damage from crisis, All equipment destroyed or inoperable, Few navigation aids, but none operable.
Airports (2)	Structures in good condition, All navigation and communications equipment removed.

Infrastructure: Water Supply

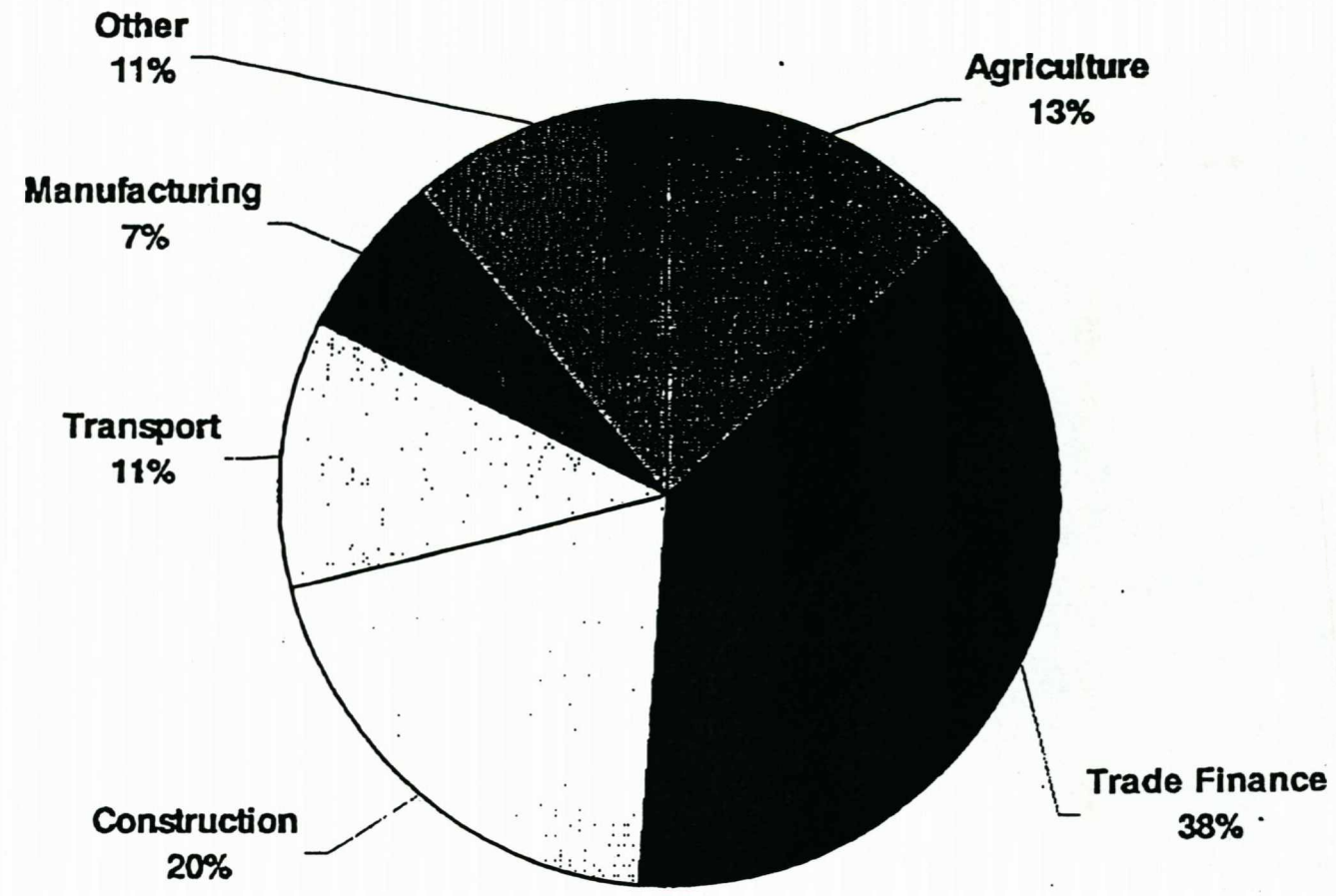
Urban Centre	Type	Assessment
Dili	Gravity River, Treatment plants, Deep Wells - Pumped Shallow Wells	4 Pumps Operating, 1 bore needs power, Treatment plants not operating. Distribution system under repair.
Manatutu	Gravity from River. Shallow Wells	Gravity source not operating. Wells being rehabilitated
Baucau	Spring Source. Old town gravity. New town pumped.	Old town Operating. Pumped supply intermittent
Los Palos	Gravity/Pumped Spring supply	Gravity system operating. Limited coverage. Pumped supply not operating
Viqueque	Gravity Spring Supply. River nearby	System operating
Suai	Spring and Deep Well Pumped.	Spring flow partial. Pump removed. Temporary replacement made.
Same	Surface Supply	
Ailieu	Surface Supplies gravity and pumped. Treatment.	Partial Operation. Pumps not operating. Treatment not functioning
Ainaro	Not visited	
Gleno	Gravity flow from River Intakes. Treatment.	Partial Operation.
Liquisa	Gravity from River. Deep Wells pumped.	Gravity system partial flow limited supply. Pumps need replacement. Power not available.
Maliana	Surface Supply, Treatment Plant. Wells	Supply not operating.
Oecusse	Gravity flow from springs. Shallow wells.	Partial Operation.
Minor Towns Total of 49 Systems	Predominantly gravity flow from springs or streams.	Only a few of these systems have been inspected. The general condition is poor. Water supply at the village level is an important issue.

Irrigation: Area Conditions

Area	System	Size (Ha:plan)	Size (Ha:function)	Description	Condition	Maintenance Program	no.oper (request)
Lautem	Lavai	150	150	Intake, primary network, tertiary network	Good	Maintenance/upgrading	1
	Luro	150	98	Tertiary network	Good	Maintenance	1
Baucau	Seical Atas	927	792	Dam, primary network, tertiary network	Slightly broken	Rehabilitation/plan review	2
	Seical Bawah	540	190	Dam, primary network, tertiary network	Broken	Rehabilitation/plan review	1
	Baguia	1,500	0	-	Design not available	Review	0
Viqueque	Uatulari I	1,204	750	Intake, primary network	Broken	Rehabilitation	2
	Uatulari II	204	204	Dam, primary network, tertiary network	Good	Maintenance/upgrading	1
	Uatulari III	370	370	Dam, primary network, tertiary network	Good	Maintenance/upgrading	1
	Uahati	500	300	Dam, primary network, tertiary network	Underutilized	Upgrading	1
	Oedubu	810	650	Intake, primary network	Good	Maintenance/upgrading	2
	Vatudo	50	50	Intake, primary network	Good	Maintenance/upgrading	1
Manatuto	Laclo	660	0	Intake, primary network	Broken due to flood	Rehabilitation	1
	Malarahun	200	150	Intake, dam, primary, complementary tertiary	Slightly broken	Rehabilitation/upgrading	0
	Laleia	180	101	Intake, primary network	Slightly broken	Rehabilitation/review design	1
	Natarbora	500	400	Intake, primary network	Slightly broken	Upgrading	2
Ermera	Gleno	200	0	Intake, primary, diversion channel, complementary	Broken due to flood	Rehabilitation	1
	Railaco	100	100	Intake, primary	Good	Maintenance	1
	Sare	1,050	500	Intake, primary, with complementary network	Broken due to flood	Rehabilitation/upgrading	2
Liquica	Laohata	250	200	Intake, primary, tertiary	Good	Maintenance	1
	Fatuboro	150	60	Intake, primary	Broken	Rehabilitation	1
Aileu	Banderahun	75	75	Intake, primary	Broken	Rehabilitation/upgrading	1
	Daisoli	50	50	Dam, primary	Broken ...	Rehabilitation/upgrading	1
Manufahi	Caraulun	2,196	1,104	Dam, primary, tertiary	Good/continue	Maintenance	2

	Koloco	200	200	Intake, primary, tertiary	Good	Maintenance	1
	Welaluhu	150	150	Intake, primary, tertiary	Good	Maintenance	1
	Besusu	150	150	Intake, primary, tertiary	Good	Maintenance	1
Bobonaro	Maliana I	2,400	750	Dam, primary, tertiary	Broken	Rehabilitation	1
	Maliana II	3,000	1,500	Dam, primary, tertiary	Slightly broken	Rehabilitation	2
	Batugade	200	200	Dam, primary, tertiary	Slightly broken	Maintenance	2
	Atabae/Loes	300	300	Dam, primary, tertiary	Good	Maintenance	1
	Marco	229	229	Dam, primary	Good	Maintenance	1
Covalima	Raimea	400	220	Intake	Underutilizes	Upgrading	1
	Beco	1,185	800	Dam, primary, tertiary	Good/Underutilized	Maintenance/upgrading	2
	Oebaba	2,158	1,000	Dam, intake, primary, tertiary	Underutilized	Upgrading	2
Ainaro	Carau-Ulun	1,200	700	Dam, primary	Underutilized	Upgrading	1
Ambeno	Naktuka	250	200	Dam, primary	Good	Maintenance/upgrading	1
	Tono	200	200	Intake, primary	Good	Maintenance/upgrading	1
	Rote	350	350	Intake, primary	Good	Maintenance/upgrading	1
	Fatusene	350	350	Intake, primary	Good	Maintenance/upgrading	1
	sub-total	24738	13593				48

Pre Aug '99 Business Lending by Sector



Civil Service: Pre-Consultation Administrative Functions

Cluster		
Level 1	Level 2	Level 3
Internal & External Security	Internal & External Security	Internal Security
		External Security
Foreign Affairs	Foreign Affairs	Foreign Affairs
Internal Affairs	Justice Affairs	Justice
		Electoral Operations
		Registry
		Notary Public
		Human Rights
	Public Management	Public Administration
		Information & Statistics
		National Commissions
Finance & Economic Development	Finance	Money & Finance
		Revenues
		Budget
		Treasury
	Economic Development	Planning
		Investment
		Employment
		Agriculture, Forestry & Fisheries
		Commerce, Industry & Trade
		Tourism
Social Development	Social Services	Education
		Health
		Culture
		Sports
	Human Development	Humanitarian Assistance
		Community Development
Reconstruction	Public Works	Transport Infrastructures
	Public Utilities	Water
		Power
		Sanitation
	Outsourcing & Regulation	Transport Services
		Telecom & Posts
		Food Supply and Distribution
		Land Use & Town Planning
		Environment

Economy: Gross Domestic Product (GDP)

	Real Growth Per Year				Contribution to Real Growth			
	1994	1995	1996	Avg	1994	1995	1996	Avg
GDP	10.0%	9.4%	10.8%	10.1%	10.0%	9.4%	10.8%	10.1%
Agriculture	1.3%	-4.3%	11.6%	2.7%	0.4%	-1.2%	2.8%	0.8%
Mining & quarrying	4.5%	14.8%	14.2%	11.0%	0.0%	0.1%	0.1%	0.1%
Manufacturing	16.0%	21.4%	7.9%	15.0%	0.5%	0.6%	0.3%	0.5%
Electricity & water	6.0%	18.1%	35.1%	19.1%	0.0%	0.1%	0.2%	0.1%
Construction	14.5%	16.2%	5.8%	12.1%	3.0%	3.5%	1.3%	2.8%
Public Administration	9.2%	13.9%	11.6%	11.6%	2.0%	3.0%	2.6%	2.7%
Commerce, hotels & restaurants	29.3%	4.1%	9.6%	13.8%	2.7%	0.4%	1.0%	1.5%
Other services	9.1%	20.1%	16.3%	15.1%	1.3%	2.8%	2.5%	2.4%

* FIM